

HOUSE BILL REPORT

HB 2453

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to the Washington essential property insurance inspection and placement program.

Brief Description: Making the Washington essential property insurance inspection and placement program apply to all counties.

Sponsors: Representatives Williams, Hunt, Moeller, Chase and Morrell.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/19/06, 1/26/06 [DP].

Brief Summary of Bill

- Expands the opportunity for coverage to property located in all counties within Washington.
- Removes the ability of the Insurance Commissioner to discontinue the plan by rule.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 11 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Newhouse, O'Brien, Santos, Serben, Simpson, Strow and Williams.

Staff: Jon Hedegard (786-7127).

Background:

The Insurance Commissioner (Commissioner) adopted rules in 1969 to address a lack of availability of property insurance due to riots. In 1969, the Legislature specifically authorized the Commissioner to continue the program to provide essential property insurance within the state when it cannot be obtained through the normal insurance market. The Commissioner may modify or discontinue the plan by rule.

The Commissioner's rules require participation of all authorized property insurers. Insurers may be assessed on the same percentage basis as the insurer's premium to all written premiums.

An organization was created to administer the Fair Access to Insurance Requirements (FAIR) plan. By rule, the FAIR plan applies only to an urban area as defined by rule. "Urban area" is defined as:

- King County;
- Tacoma; and
- Pasco.

An applicant for coverage with the FAIR plan is not required to show that they are unable to obtain insurance. The FAIR plan may require an agent or broker to demonstrate what efforts were made. If the agent or broker is not making reasonable efforts to obtain insurance, the administrator may forward the name of the agent or broker name to the Commissioner.

After an application is submitted, the applicant is entitled to a free inspection of the property by the Washington Surveying and Rating Bureau (WSRB). The WSRB must make a report for each property inspected. Within three days of receiving the inspection report, the FAIR plan must notify the applicant that:

- the risk is acceptable;
- the risk will be acceptable if improvements are made and confirmed by reinspection; or
- the risk is unacceptable for specified reasons. The risk may be declined for failure to comply with reasonable underwriting standards.

If the risk is acceptable, coverage will commence on the receipt of premium. No coverage on any one property through this program may exceed \$1.5 million in liability.

Policies last for one year at a rate set by the WSRB and approved by the Commissioner. A policy cannot be cancelled except:

- for cause that would have been grounds for nonacceptance if known at the time the risk was accepted;
- nonpayment of premiums; or
- with the approval of the governing committee.

The program is administered by a governing committee composed of nine members. At least six members must be insurers, with one member designated the service insurer. The other three members are individuals who have no direct or indirect interest in an insurer, except as a policyholder.

All licensed agents and brokers must comply with the aims and operation of the FAIR plan. The commission under the program is 10 percent of the policy premium to the licensed producer designated by the applicant.

The FAIR plan must make quarterly reports to the Commissioner and regular reports to all members.

Summary of Bill:

The FAIR plan is expanded to apply to all counties within Washington.

The FAIR plan is required, not authorized, by the Legislature. The bill requires a legislative act to discontinue the FAIR plan.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The FAIR plan is a safety net for those who can't find insurance through the normal insurance channels. This inability is often due to being a victim of criminal acts. The program was started to address those who couldn't get insurance due to civil unrest in the 1960s. By passing this bill, the Legislature is sending a positive statement that it will aid victims of crimes. This is also an equal opportunity bill, currently only people in a few parts of this state could qualify for the program. Members of the committee who represent Island, Snohomish, Spokane, and Thurston Counties represent counties that do not qualify today. Those counties do qualify under the bill. The bill extends the program to the whole state. Since the program will only be used in exigent circumstances, it is appropriate that it applies throughout Washington. The Commissioner supports the bill. This is a good program that should be expanded. There are 204 insureds in the program today. It is often used as a transition back to the insurance market. Renewal rate is about 30 percent. It isn't clear exactly how many applicants might seek to enroll; the program does currently apply to some of the most densely populated areas in the state.

Testimony Against: None.

Persons Testifying: Mary Clogston, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.